

Review on Social Aspects Activity In the Sustainability Report (Study on Bank Mandiri and BCA)

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Abstract

This research aimed to review the banks' readiness to comply with the social aspects regulated in the Financial Service Authority Regulation (POJK) No. 51/POJK.03/2017. The object of the study was the sustainability reports issued by two biggest banks in Indonesia, one was BCA – a non-State-Owned bank, and the other was Bank Mandiri – a State-Owned bank. The findings showed that both stated-owned and non-state-owned banks had implemented the activities as indicated in the regulations quite well. They even mentioned their commitment to support the Sustainable Development Goals.

Keywords: *sustainability report, FSAR No. 51/POJK.03/2017, SDGs*

INTRODUCTION

Considering the fact Indonesia as the largest archipelagic country [1], it had a wide diversity in its geographic area of wilderness, both in the sea and the forest. As the fourth largest population in the world, its citizen equals to 3.51% of the world's population[2]. Therefore, what Indonesia does with those aspects would have a big impact to the world.

In regard to its contribution the world, Indonesia had entered into the Paris agreement in December 12, 2015, along with other 193 other nations[3]. The agreement itself was regarding how nations would contribute in limiting the global warming the climate change, which was one of the 17 Sustainability Development Goals (SDGs) of the United Nations.

Along with this commitment, Indonesian government pushed all element of the society to help in fulfilling the goals. In line with the universal goals, Indonesian government also set up activities as its Sustainability Development Goals (SDGs). The Ministry of National Development Plan (*PPN/Bappenas*) created the guidelines of how to plan, implement, control, evaluate and report the activities for all the community components[4].

To accelerate the fulfillment of the SDGs, in 2017 Indonesian Government through The Financial Service Authority (FSA) released a regulation regarding the obligation for banks and public companies listed in Indonesian Stock Exchange (IDX) to report their sustainability activity. This FSA Regulation No. 51/POJK.03/2017 consisted of three main topics, which were the economic, social, and environment[5].

This was an attempt to involve the go public companies to support the government in carrying out the SDGs. The regulation was first implemented for

banks, and then later it was obliged for all listed companies. However, due to the Covid-19 pandemic condition, the government had postponed the obligation to make the report for the period of 2019 for the public companies other than banks.

One of the activities that should be reported in the Sustainability Report was the social aspect. According to the Law of Republic Indonesia No. 19/2003 regarding the State-Owned Entity, the social aspects was clearly the main objective for creating the State-Owned entity. Therefore, ideally a State-Owned bank should be better in carrying out the social responsibility activity compare to a non-State-Owned bank.

Research Objectives

This research was to review the readiness of State-Owned bank and non-State-Owned bank in complying with the FSAR No 51/POJK.03/2017 regarding the social aspects in the sustainability activity reports. Considering a bank is a service business, it would be appropriate to focus on the social aspects activity in reviewing the bank's sustainability report.

LITERATURE REVIEW

Some literature review to back up the discussion were presented as follow.

The Social Aspects in State-Owned Company

Article 2 point c in the Law of Republic Indonesia No. 19/2003 stated that one of the objective of creating a State-Owned company was that it had to guide and give aid to the society[6]. This goal differentiate the State-Owned entity from other private-owned entity, which goal was usually focus hard on profitability

Another point related to social aspects in the regulation was in Article 88 (1). The law stated that the State-Owned company could set aside some of its net profit for developing the society in its environment [6]. This was then followed by the regulation issued by the Ministry of State-Owned Company of Republic Indonesia KEP-236/MBU/2003, regarding a program to develop the environment.

Although the regulation had changed and then revoked, the last regulation was still in line with the social aspects in the goal of creating the State-Owned Company. In the latest regulation, the Ministry of State-Owned Company of Republic Indonesia issued a more comprehensive approach regarding the sustainability issue, which was the Corporate Environment and Social Responsibility in PER-05/MBU/04/2021[7].

The Social Pillars in SDGs

The SDGs issued by the United Nations covering 17 goals which were considered to have a sustainable positive impact to the planet dan its inhabitants. The Indonesian government had committed to carry out the SDGs in a comprehensive approach. Indonesian government was confident that the goals would be achieved as targetted since Indonesia involve every parties in the community starting from the planning, implementing, controlling, evaluating, and the reporting of the activities [7].

Therefore, the Ministry of National Development Planning issued a guidance for the community to act together on the matters. The Ministry divided the guidance into four pillars, those were the Social Development Pillar, Economic Development Pillar, Environment Development Pillar, and the Law and Governance Development Pillar.

Included in the Social Development Pillar were the first 5 SDGs [8], those were:

- SDGs No. 1 – No poverty
- SDGs No. 2 – Zero Hunger
- SDGs No. 3 – Good-Health and Well Being
- SDGs No. 4 – Quality Education
- SDGs No. 5 – Gender Equality

For each the Ministry had a very distinct target, indicator, concept and definition, calculation formula, benefit, data source and tools. These guidance had to be used by all level of governance. However, it was not an exact guidance for a state-owned company nor the overall community. Other parties could use it as a guidance, but not

obliged to implement it as it was. Many companies had been voluntarily directing toward those sustainable activities since the triple bottom-line was introduced by Elkington in the 90's.

The FSAR No 51/POJK.03/2017

As a more intensive way to urge the society to take part in succeeding the SDGs, the Financial Service Authority of Republic Indonesia issued a regulation that obliged banks and listed companies to prepare a report regarding sustainable activities in the entities. The FSA regulation No. 51/POJK.03/2017 mainly consisted of three focus, which were the economic, social, and environment activities to be carried out based on a sustainable framework[9].

The second attachment of the regulation listed a resume of the factors that should be reported in the Sustainability Report. In detail, the list of items related to social matters was as follows (Table 1):

TABLE 1

List of Social Factors The 2nd Attachment FSAR No. 51/POJK.03/2017

No	Article	Description
1	2.a.5	Involvement of local parties related to the business process of Sustainable Finance.
2	2.c	Social Aspects: Description of the positive and negative impacts of implementing Sustainable Finance for the community and the environment (including people, regions and funds).
3	3.c.2	number of employees divided according to gender, position, age, education, and employment status;
4	3.c.3	percentage of share ownership (public and government);
5	5.d.1	Description of Stakeholders related to involvement based on management assessment results
6	5.d.2	Description of Stakeholders related to the approach used by the Company in engaging stakeholders in the implementation of Sustainable Finance.
7	6.a	Sustainability performance regarding activities of building a sustainable culture in the Company
8	6.c.1	Social Performance regarding the Company's commitment to provide services for equivalent products and / or services to consumers.
9	6.c.2.a	Social Performance of the Employment, regarding Equality of employment opportunities and the presence or absence of forced labor and child labor.
10	6.c.2.b	Social Performance of the Employment, regarding the percentage of employee remuneration remains at the lowest level against regional minimum wages
11	6.c.2.c	Social Performance of the Employment, regarding a decent and safe working environment
12	6.c.2.d	Social Performance of the Employment, regarding training and development of employee capabilities
13	6.c.3.a	Society, regarding the Information on activities or operational areas that produce positive and negative impacts on the community, including financial literacy and inclusion
14	6.c.3.b	Society, regarding the mechanism of public complaints and the number of public complaints received and acted upon
15	6.c.3.c	Society, regarding the Social and Environment Responsibility which can be linked to support for sustainable development goals including the types and achievements of community empowerment program activities

There were 15 points which had to be fulfilled in carrying out the sustainability activities in the social aspects alone. The other two aspects were not the topic in this discussion review.

METHODOLOGY

To review the bank’s sustainability report for this research, the basic methodology was to drawn a hypothesis and the rationale of the sample taken. However, this is only to review the differences qualitatively, therefore no quantitative calculation was carried out to draw a conclusion. This research was to review the sufficiency of the social aspect reported in the banks’ sustainability reports, comparing between the State-Owned and non-government owned bank for 2018, the first year of implementing the regulation.

Hypothesis

Considering the descriptions above, there were factors which could influence the readiness of the FSAR implementation in the social aspects, including the different characteristics between the State-Owned and non-State-Owned entity. Therefore, based on those descriptions, the hypothesis of this research was that a government entity should be more ready to implement the sustainability activities since every government entity - previously - had an obligation to fulfill the CSR activities.

Population and Sample

The population for the research is the banking companies, which listed in the Indonesian Stock Exchange (IDX) during the period of 2018. The sample of this research was taken using purposive sampling method. The sample were 2 banks which were the biggest bank listed in IDX. One was Bank Mandiri to represent as a State-Owned Entity, the other was BCA as a Non-State-Owned bank.

FINDINGS & DISCUSSION

The review of the Sustainability Reports of both banks in the research period had been summarized in the 3 following tables. The articles refers to the 2nd Attachment of the FSAR No.51/POJK.03/2017, as detailed in the Literature Review section. The table showed the summary of the description of social aspects in each Sustainability Reports, including the page(s) where it presented.

Table 2 showed the comparison of social aspects information between Bank Mandiri and BCA for the year of 2018. This was the first year the regulation should be reported for the activity in the 2017. Considering that the regulation were issued in Juli 2017 and should be implemented effectively in 2017 report period, there probably some issue of readiness, that presumably not all aspects required had been carried out in that year.

TABLE 2

Social Aspects Reported in 2018

No	Article	Page(s)	Bank Mandiri	Page(s)	BCA
			Description		Description
1	2.a.5.	4-6, 8	Award in Human Capital Category 11th rank achievement, in the World’s Best Employers Forbes Magazine. Re-elected to become a public company indexed by SRI-Kehati Index (Sustainable and Responsible Investment – Keragaman Hayati) based on performance and awareness of environmental and social preservation of biodiversity. Funds for Partnership and	7, 11	BCA got certificate as a constituent of sustainable investment SRI Kehati Index. Society empowerment, training, and increasing capacity collaborating with FSA, UNICEF, Indonesian Red-Cross, World Wildlife Fund Indonesia. Funding for society Scholarship Internship Fostered school & village Strategy and Action Plan

			Community Development Program Developed 30 new entrepreneurs Trained 12.065 people Use of Local Vendors for supplies and machinaries (ATM, EDC, construction, office supplies) Amounted to 46% Debtors obtaining Blue/Green/Gold PROPER		collaboration with Indonesia Financial Sustainability Initiative, Indonesia WWF, Sustainability Consultant
2	2.c.	4-6, 8	Not mentioned	9	Not mentioned
3	3.c.2	58 - 60	Mentioned	126	Mentioned
4	3.c.3	55	State-Owned Enterprises: Government of the Republic of Indonesia 60.00% Public 40.00%, which consists of: Local Investor 8.31% Foreign Investors 31.69%	19	Public 45,06% PT Dwimuria Investama Andalan
5	5.d.1	87-91	Shareholders – increase share value and positive growth Community – progress of partnership and community program, improving the understanding of effective financial use Employee – employee’s rights, effective of management and employee relation Government, legislatives – compliane of all regulations, good corporate governance, collaboration in CSR Programs Customer – product education, increase in facility access and security, service information transparency Vendors – procurement tranparency Mass-media – open access to accurate and up-to-date information	49	Customer and Client – interactive direct communication via survey, access to HaloBCA for information cannal. Investor – Financial performance and strategy implementation described in publication, repors and Shareholders’ General Meeting Regulators – compliance, good corporate governance, prudent principles Community – CSR Bakti BCA program Mass Media – Media release and reports regarding financial, product and corporate action Employee – industrial relation regarding welfare, rights and obligation through social gathering
6	5.d.2	87-91	Included in the same pages as poin 5.d.1	49	Included in the same pages as poin 5.d.1
7	6.a.	96	Not mentioned	51	Commitment to Sustainability by integrating the environment, social and governance aspects in the bank’s operation activity Increase the competence and internal ability to implement the financial sustainability

8	6.c.1.	161-165	Commitment to deliver best quality products and services Complaint submission mechanism Complaint channel Number of complaint and the settlement Customer satisfaction survey Customer privacy	69	Commitment to focus on repositibility to customer Product knowledge and for the staff VIRA as an AI technology for bank services Accurate and Quick in processing any customer complaint Percentage of complaint settlement
9	6.c.2.a	141-160	Committed to employees equal opportunity. Not differentiate the ratio of basic salary and remuneration both to female and male employees	71	Equal opportunity in career path as basic policy Competent and motivated human resources
10	6.c.2.b	141-160	Not mentioned	76-77	New employment lowest level compare to regional minimum wages 1,45 : 1
11	6.c.2.c	141-160	Basic policy and regulation regarding occupational health and safety Commitment to the implementation Activities related to the OHS Decent office Facility for the employees Employee benefit, Health facilities and insurance for employees and family Certification Zero work accidents	76	Decent office facility for employees Training on OHS Complaint mechanism for employees Health facilities and insurance for employees and family Private counseling for employees Day Car BCA for employees' child in elementary school level.
12	6.c.2.d	141-160	Education and training for all level of employment (number of participant and cost) Retirement training	73-74	Cost of training for increasing competence Number of participant
13	6.c.3.a	105-125	Finance inclusion program Education and Entrepreneurship Independence Programs Corporate Social Responsibility	80, 81-103	CSR in Bakti BCA program Finance Literation Education Education program non-degree Collaboration in Education and school development Bakti BCA in Culture Bakti BCA in healthcare clinic Village development
14	6.c.3.b	161 – 165	Complaint submission mechanism Complaint channel Number of complaint and the settlement	69	Accurate and Quick in processing any customer complaint Percentage of complaint settlement
15	6.c.3.c	120-125	SDGs No. 1 No Poverty	84 -85	SDGs No. 3 Good health and

			SDGs No. 3 Good health and well-being SDGs No. 4 Quality Education SDGs No. 5 Gender Equality SDGs No. 8 Decent Work & Economic Growth SDGs No.10 Reduced Inequalitties SDs No. 11 Sustainable Cities and Communities SDGs No. 16 Peace, justice and strong instution		well-being SDGs No. 4 Quality Education SDGs No. 5 Gender Equality SDGs No. 8 Decent Work & Economic Growth SDGs No.10 Reduced Inequalitties
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The table showed that overall both banks had considerably well enough in implementing every aspects obliged by the regulation. Some even beyond expectation, such as that Bank Mandiri won an award from Forbes Magazine, and both bank had fulfilled the KEHATI-Index. The KEHATI-Index was a way to measure how a the business run based on a sustainable adn responsible investment with the biodiversity as fundamental of its acitivity.

Both banks also committed to support the government by choosing some SDGs to be acted on. Although BCA was more conservative in claiming the SDGs they would commit to, the CSR program in BCA was carried out very seriously. As so Bank Mandiri, BCA had a specific unit dedicated to the CSR program.

Some points were missing from the report though, such as point 2.c, point 6.a and point 6.c.2.b. Both BCA and Mandiri did not mention any negative impact of the business upon the social environment as required in poin 2.c. This may be caused by the nature of the business, that a financial service did not have any significant negative impact upon social environment.

As for point 6.c.2.b, Bank Mandiri did not mention the percentage of employee remuneration remains at the lowest level against regional minimum wages. This could be only a miss and not indicating a violation of the regulation. Since the Bank Mandiri was a State-Owned Bank, it would not be possible if the lowest level of the remuneration was below the regional minimum wages.

Then poin 6.a, Bank Mandiri also did not mention it clearly. This could be because the management did not have any written policy or values regarding the sustainability culture built in the company. As a State-Owned Company, it is not unusual to be strict to only mention written policy and not mentioning something which did not have any solid evidence. This also did not imply that Bank Mandiri did not have any sustainable culture values implemented in their daily activities.

CONCLUSION

Even when the timing of the regulation and the effective required implementation was very narrow, both banks showed a great performance in fulfilling almost all of the requirements in the 2nd attachment of the FSAR No. 51/POJK.03/2017. However, to be a real sustainable, the activities must be carried out in the years followed. Therefore, it would be interesting to review the development of the reports in the later periods.

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